

G-012/DI-90-227 APPROVING GAS SUPPLY AND TRANSPORTATION ARRANGEMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of the Joint Venture Between
Rahr Malting and Western Gas Utilities to
Construct a Seven-Mile Gas Pipeline in
Scott County, Minnesota

ISSUE DATE: October 4, 1990

DOCKET NO. G-012/DI-90-227

ORDER APPROVING GAS SUPPLY AND
TRANSPORTATION ARRANGEMENTS

PROCEDURAL HISTORY

On June 8, 1990, the Commission received a letter from the Minnesota Department of Public Service (the Department) requesting that the Commission assert jurisdiction over the pipeline proposed in this matter. The Department also requested that the Commission solicit comments from all interested parties regarding the unique legal and policy issues it raises.

On June 28, 1990, the Commission issued an Order asserting jurisdiction over the proposed pipeline project pursuant to Minn. Stat. §§ 216B.02, subd. 4 and 216B.08. In addition, the Commission asked the parties to comment about issues relating to the construction and operation of this pipeline and issues relating to the public interest of gas utilities competing among themselves in the same area for the same customers. ORDER ASSERTING JURISDICTION AND ESTABLISHING COMMENT PERIOD (June 28, 1990).

On August 6, 1990, the Commission issued an Order approving the ownership and capacity lease agreements between Western and Rahr Malting. The Commission also ordered Western to petition by September 1, 1990 for approval of all gas supply and transportation arrangements associated with this project along with documentation supporting the adequacy and prudence of these arrangements.

On August 31, 1990, Western filed its petition for approval of its gas and transportation contracts.

On September 27, 1990, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

GAS SUPPLY ARRANGEMENTS

Including the new demand from its pipeline customers, Western estimates its peak-day requirements for firm customers during the 1990-91 heating season at 3,965 Mcf per day and at 4,365 Mcf per day for the 1991-92 heating season. Western estimates its design-day requirement at 4,450 Mcf per day for the 1990-91 heating season and at 4,900 Mcf per day for the 1991-92 season.

To meet this demand, Western currently has signed contracts for a total of 4,446 Mcf per day of firm gas supplies during the heating season. This includes firm seasonal service from Northern and firm, third party gas from Panda Resources, Inc. (Panda). Western also has access to an additional 960 Mcf per day from its peak shaving facilities.

TRANSPORTATION ARRANGEMENTS

Western estimates that it will serve 50 new customers off the pipeline this winter, with a peak-day requirement of 60-65 Mcf. Western does not yet have a signed contract with Northern for firm transportation for the new customers served by the pipeline.

However, Western indicates that it anticipates signing a contract with Northern for between 75 and 100 Mcf per day of firm transportation from November 1990 through September 2000 in early October.

EVALUATION OF WESTERN'S ARRANGEMENTS

The Commission finds that Western has arranged for a sufficient supply of firm gas to meet the needs of its new and continuing customers and if the projected transportation contract with Northern is signed, Western will have arranged for sufficient firm transportation of that gas. In these circumstances, the Commission will approve Western's gas supply arrangements and approve its transportation arrangements conditioned on Western actually filing a signed transportation contract with Northern as projected. Commission approval of the sufficiency of the gas supply and transportation is, of course, not the equivalent of a prudence review of the costs involved in these arrangements. The prudence of these costs will be subject to study in Western's next general rate case or in the investigation underway in Docket No. G-012/CI-89-904.

ORDER

1. The gas supply arrangements made by Western Gas Utilities, Inc. (Western) to meet the requirements of its new customers served off the Western-Rahr Malting Pipeline are approved.
2. Contingent upon Western filing within five (5) days of its signing a signed contract with Northern Natural Gas Company (Northern) as

described in this Order, the transportation arrangements made by Western to meet the requirements of its new customers served off the Western-Rahr Malting Pipeline are approved.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)